Prime Capital FINANCIAL

401(k) vs IRA: What You Need to Know

Saving for retirement often starts with two core tools: a 401(k) and an Individual Retirement Account (IRA). While both are designed to help you build long-term wealth, they serve different roles within a financial plan.

Understanding the Two Options

A 401(k) is a retirement plan offered through your employer, with contributions typically made directly from your paycheck. Many plans include an employer match, which can help accelerate your savings.

An IRA (Individual Retirement Account) is opened independently and is not tied to your employer. It offers more control over how your money is invested and can be used alongside or instead of a workplace plan.

Key Differences

- **Contribution limits:** 401(k)s generally allow for higher annual contributions
- **Investment options:** IRAs typically offer more flexibility and control
- **Employer involvement:** 401(k)s may include matching contributions; IRAs do not
- **Access:** IRAs can be opened at any time, regardless of employment

How They Work Together

For many individuals, the most effective approach is using both strategically.

A common strategy is to contribute enough to a 401(k) to receive the full employer match, then use an IRA to supplement savings and expand investment options. This approach can help create a more balanced and flexible retirement plan over time.

Making the Right Choice

The right mix depends on your goals and overall financial picture. Most plans benefit from using both a 401(k) and an IRA.

Connect with our team to build a retirement strategy tailored to your goals.